

3. MARKET POTENTIALS ANALYSIS

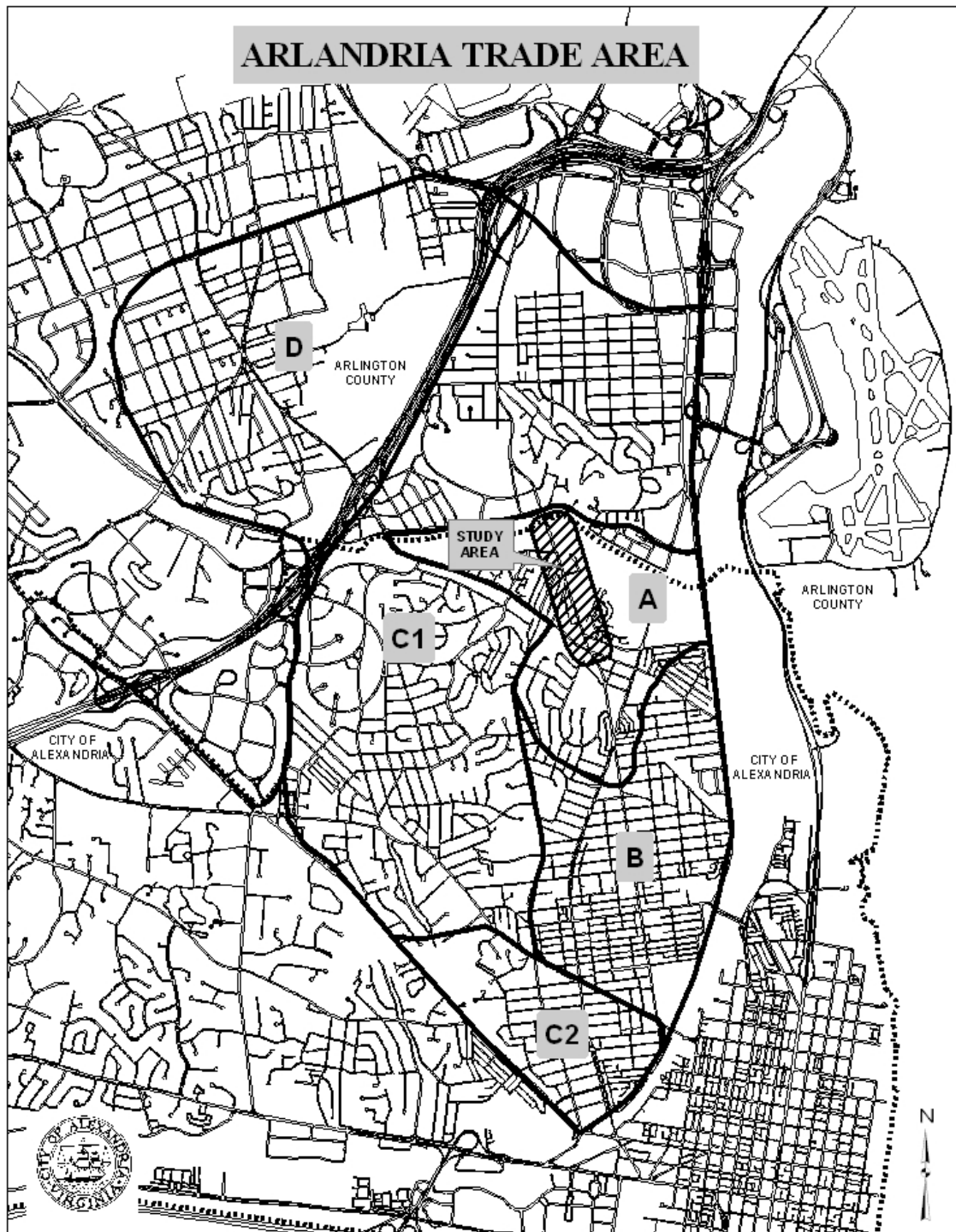
This section provides a summary of the findings from the market analysis, which forecasted the potentials for retail space within the Arlandria commercial district study area. The retail trade areas are defined below. Demographic trends and forecasts for each of these trade areas are described, followed by an analysis of total personal income and retail expenditure potentials. Competitive retail nodes are discussed and the study area's market potentials are determined based on a capture and inflow analysis using two different marketing scenarios. Finally, a specific market mix is recommended, based on the findings from the market analysis.

Retail Trade Areas

For the purposes of this analysis, a retail trade area was defined to include that region from which 75% to 80% of sales should be generated for businesses within the Arlandria commercial district. The definition of this trade area was based on an analysis of transportation access, traffic flow, natural and man-made barriers, housing densities, driving and walking travel times, and a host of other factors impacting on its shape. In addition, the trade area was split into five sub-areas again defined based on these and other factors.

The Arlandria Retail Trade Area is generally bound by Jefferson Davis Highway (U.S. Route 1) on the east, King Street on the southwest, 18th Street (in Arlington) on the north, and with an extension along Glebe Road to Columbia Pike on the northwest. Sub-areas include the following:

1. Trade Area A: A triangle-shaped neighborhood convenience trade area that primarily includes the Arlandria residential community and is bound by West Glebe Road, South Glebe Road, and Mt. Vernon Avenue. The area also extends slightly south past the intersection of Glebe and Mt. Vernon, towards Hume Avenue.
2. Trade Area B: The extension of Trade Area A that includes the Del Ray neighborhoods on both sides of Mt. Vernon and Commonwealth avenues, primarily south of Hume Avenue.
3. Trade Area C1: This area wraps around Trade Areas A and B to the west and north, including the areas bound by Russell Road, King Street, Quaker Lane and West Glebe, as well as the area north of South Glebe and bound by Jefferson Davis Highway, 18th Street, and I-395.
4. Trade Area C2: Includes the small triangle bound by Braddock Road, Metrorail tracks, and King Street, that forms the southern "cone" of the trade area.



Trade Area D: This area includes parts of south Arlington, extending from I-395 to Columbia Pike and from 18th Street to Four Mile Run.

Demographic Trends & Forecasts

The demographic trends and forecasts for each of the trade sub-areas are summarized below.

Trade Sub-Area Trends

Population, household, and household income trends were analyzed for each of the trade sub-areas, for the period between 1990 and 2002. Both Alexandria and Arlington are old, largely build-out communities that have recently experienced a new wave of infill and redevelopment. Even the relatively stable, suburban Arlandria area is beginning to see some new residential construction in recent years as developers capture the market for housing for young professionals within a short commute of Washington, D.C.

Trade Area A. Between 1990 and 2002, there were 835 new households added in Trade Area A, for an increase of 24% over the 1990 number of about 3,540.

**Table 2. DEMOGRAPHIC TRENDS FOR TRADE AREAS A, B, C1;
ARLANDRIA COMMERCIAL DISTRICT, 1990-2002**

Factor	1990	2002	1990-2002 Change Number	Percent
<u>Trade Area A</u>				
Population	8,976	11,342	2,366	26%
Households	3,542	4,377	835	24%
HH Income	\$ 51,384	\$ 64,465	\$ 13,081	25%
<u>Trade Area B</u>				
Population	9,865	9,102	(763)	-8%
Households	4,085	3,683	(402)	-10%
HH Income	\$ 60,251	\$ 87,018	\$ 26,768	44%
<u>Trade Area C1</u>				
Population	20,429	20,118	(311)	-2%
Households	9,320	9,058	(262)	-3%
HH Income	\$ 81,691	\$ 108,584	\$ 26,894	33%

Note: Income expressed in constant 2002 dollars.

Sources: Claritas, Inc. and Randall Gross / Development Economics.

Most areas around the country have typically seen household growth rates exceed those of population, as average household size has declined.

Significantly, however, the population within Trade Area A increased at an even faster rate than the number of households, due perhaps to an influx of larger families or due to increased crowding in affordable units. Average household size in Trade Area A actually *increased* between 1990 and 2002, from 2.53 to almost 3.0 persons per unit. Table 2 summarizes demographic trends for Trade Areas A, B, and C1.

Household incomes within Trade Area A increased by 25% during the 12-year period, above the rate of inflation. While incomes increased nationally during this period, some of this local increase may be explained by the larger average household size (and larger number of wage earners per household).

Trade Area B. In Trade Area B, population and households actually declined, by rates of 8% and 10%, respectively. However, average household incomes increased dramatically during this period. Incomes in Trade Area B averaged \$60,250 in 1989 (in constant 2002 dollars), but had increased by 44% to about \$87,000 by 2002. As housing values have increased in this area, smaller families with higher incomes have moved into existing homes.

Trade Area C1. In Trade Area C1, population and households had been declining until recently, at the rate of 2% and 3%, respectively. New housing construction has helped reverse this trend. Incomes had also increased during this period, by 33% in real terms over 12 years.

The C1 trade area's newest community is Avalon @ Arlington Square, a high-end townhouse apartment community located off of South Glebe Road less than one mile from the center of Arlandria's commercial district. This project is being developed in several phases, with a total of 317 units completed out of 817 planned. Approximately 50% of the units are currently occupied. Amenities include a state-of-the-art fitness center, business center, social areas, and a small, main street commercial district. Units range in price from \$1,305 (652-square-foot 1-bedroom) to \$2,755 (1,894 square-foot 3-bedroom townhouse).

Residents are attracted to the area because of its location, proximate to I-395 and downtown Washington. Residents also appreciate the proximity to Old Town Alexandria, Crystal City, and Potomac Yard shopping.

Trade Area C2. Table 3 summarizes demographic trends in Trade Areas C2 and D, between 1990 and 2002. Population and households had been declining in Trade area C2, but incomes have seen the most dramatic growth within the overall trade area. Average household incomes increased by almost 60% during the 12-year period, from \$102,400 in 1989 (stated in constant 2002 dollars) to \$163,000 by 2002. Clearly, this area includes some of the wealthiest households within the overall Arlandria trade area. Income in the wealthiest communities has increased at a faster pace than in most of the more moderate-income neighborhoods.

Trade Area D. Trade Area D has seen the most dramatic population and household growth in the trade area, but conversely, the slowest income growth. The number of households increased by 12% in Trade Area D, from about 6,000 in 1990 to more than 6,800 in 2002. At the same time, household incomes only increased at a rate of about 1.3% per year, compared with almost 5.0% per year in Trade Area C2. Still, the income growth in Trade Area D has exceeded the rate of inflation, increasing the real incomes and spending power of households in the area.

Table 3. DEMOGRAPHIC TRENDS FOR TRADE AREAS C2 and D, ARLANDRIA COMMERCIAL DISTRICT, 1990-2002

Factor	1990	2002	1990-2002 Change	
			Number	Percent
<u>Trade Area C2</u>				
Population	3,515	3,439	(76)	-2%
Households	1,378	1,326	(52)	-4%
HH Income	\$ 102,432	\$ 163,007	\$ 60,576	59%
<u>Trade Area D</u>				
Population	12,747	14,424	1,677	13%
Households	6,082	6,829	747	12%
HH Income	\$ 53,576	\$ 61,998	\$ 8,422	16%

Note: Income expressed in constant 2002 dollars.

Sources: Claritas, Inc. and Randall Gross / Development Economics.

Ethnic Characteristics

Arlandria is perceived to be a low / moderate-income Latino community, surrounded by largely well-off Anglo neighborhoods. Indeed, 48.8% of the population in Trade Area A is Hispanic, but 22.2% is black and 3.8% is Asian. Almost 75% of the population in this area falls into one of these groups, making this sub-market the most diverse of the five within the trade area. However, Trade Area D is also very diverse, with a population 23.3% Hispanic, 29.1% black, and 9.7% Asian. In fact, four of the five sub-trade areas has a minority population in excess of 30% and Hispanic population of over 10%. Only sub-area C2 is predominately white, with a population only 2.4% Latino, 5.4% black, and 1.7% Asian. Just 9.5% of the population in sub-area C2 is non-white and non-Hispanic.

The Hispanic population is increasing nationally, regionally, and within Alexandria, thanks largely to continued immigration from Mexico and other parts of Latin America. There is also migration within the United States, with many

Latinos leaving large inner cities and settling in suburban areas and smaller cities. Between 1990 and 2000, Alexandria's Hispanic population increased by 8,097 or more than 75%. This compares with a growth rate of only 19% for blacks and a decline of 3.6% among the white population. The Hispanic growth rate even exceeded that of Alexandria's small but rapidly-growing Asian population, which expanded by 62% between 1990 and 2000. By 2000, Hispanics accounted for almost 15% of the total population of Alexandria and, along with Asians (6%), represent a substantial and fast-growing market within the city.

Trade Sub-Area Forecasts

Most of the trade area is expected to continue experiencing household growth during the next five-year period. Population, households, and household incomes were forecast through 2002. Table 4 summarizes these forecasts for sub-areas A, B, and C1.

Trade Area A. Trade Area A is expected to continue experiencing population and household growth through 2007. It is also anticipated that the presence of affordable and attractive rental housing will result in continued high demand and increasing household size for the next few years, so long as rental housing costs continue to rise metro-wide.

**Table 4. DEMOGRAPHIC FORECASTS FOR TRADE AREAS
A, B, C1; ARLANDRIA COMMERCIAL DISTRICT, 2002-2007**

Factor	2002	2007	2002-2007 Change	
			Number	Percent
<u>Trade Area A</u>				
Population	11,342	11,913	570	5.0%
Households	4,377	4,592	215	4.9%
HH Income	\$ 64,465	\$ 67,449	\$ 2,984	4.6%
<u>Trade Area B</u>				
Population	9,102	8,826	(276)	-3.0%
Households	3,683	3,562	(121)	-3.3%
HH Income	\$ 87,018	\$ 97,562	\$ 10,544	12.1%
<u>Trade Area C1</u>				
Population	20,118	20,696	578	2.9%
Households	9,058	9,472	414	4.6%
HH Income	\$ 108,584	\$ 118,333	\$ 9,749	9.0%

Note: Income expressed in constant 2002 dollars.

Sources: Claritas, Inc. and Randall Gross / Development Economics.

Incomes in this area have declined during the past year, due to a combination of recessionary economic conditions and the direct economic impact of September 11 events. In particular, the temporary closure of National Airport and its resulting impact on Crystal City hotels, had a deleterious effect on hotel and other service workers residing in Trade Area A. It is expected that incomes will continue to stagnate for the next several years or until the national and regional economies return to robust growth rates. Optimistically, it is anticipated that Trade Area A incomes will increase at an average annual rate of less than one percent during the next five years.

Trade Area B. Higher-income communities in Trade Area B are less impacted by both the national recession and the localized impacts of 9/11. Incomes will increase, but not at the same rate as during the 1990s. Population and households will decline slightly more or stagnate during the next few years.

Trade Area C1. This area will see a continuation of a recent growth trend that began during the late 1990s, with the construction of additional housing units at Avalon and other area projects. Still, overall household growth will not exceed 1% per year on average through 2007.

Trade Area C2. Income growth will continue in this affluent area, despite stagnant overall economic conditions and stock market doldrums. Population and the number of households will essentially remain about the same through 2007.

Table 5. DEMOGRAPHIC FORECASTS FOR TRADE AREAS C2 & D, ARLANDRIA COMMERCIAL DISTRICT, 2002-2007

Factor	2002	2007	2002-2007 Change	
			Number	Percent
<u>Trade Area C2</u>				
Population	3,439	3,410	(29)	-0.8%
Households	1,326	1,312	(14)	-1.1%
HH Income	\$ 163,007	\$ 189,298	\$ 26,291	16.1%
<u>Trade Area D</u>				
Population	14,424	14,853	429	3.0%
Households	6,829	7,028	200	2.9%
HH Income	\$ 61,998	\$ 63,770	\$ 1,772	2.9%

Note: Income expressed in constant 2002 dollars.

Sources: Claritas, Inc. and Randall Gross / Development Economics.

Trade Area D. Trade Area D will experience moderate population and household growth and relatively slow income growth through 2007. National and regional economic conditions will impact negatively on the technical, sales, and

service workers living in area D communities, although government workers should fare better.

Retail Expenditure Potential

Retail expenditure potentials were calculated based on the share of trade area total personal income (TPI) available to be spent on retail goods and services.

Total Personal Income (TPI)

TPI is the total income of all households within the trade area. In 2002, TPI totaled approximately \$2.226 Billion and is expected to increase by 8.5% during the next five years, to \$2.475 Billion in 2007. Trade area TPI will increase fastest in sub-areas C2 (14.9%) and C1 (14.0%), with only marginal growth in sub-area D. TPI will increase by 9.8% to \$309,700,000 in sub-area A (the area that includes Arlandria), by 2007.

Expenditure Potentials

Expenditure potentials were determined based on the share of household income spent on each individual type of retail good or service (i.e., apparel & accessories, pharmaceuticals, etc.) in each of the five sub-areas. The total percentage of household income spent on all retail goods was determined to be about 34.0% in sub-area A, and ranges from a low of 27.8% in Sub-Area C2 to a high of 34.4% in Sub-area D.

Retail expenditure potentials total \$693,907,000 in 2002 and are expected to increase by \$58,520,000 to \$769,945,000 by 2007. Interestingly, the share of expenditure potential in three of the five sub-areas is very similar, at around \$100 to \$150 million in sub-areas A, B, and D. However, over \$330 million in expenditure potential will be available in 2007 in sub-area C1 and only \$69 million will be available in sub-area C2.

Sub-Area A:	\$105,300,000
Sub-Area B:	\$109,936,000
Sub-Area C1:	\$331,799,000
Sub-Area C2:	\$ 68,943,000
Sub-Area D:	\$153,967,000

Existing and potential Arlandria retailers can compete to capture sales from the increase in retail expenditure potentials over the next five years. However, there is significant competition for this market.

Competitive Framework

Arlandria is located near several of the Washington area's largest, newest and most competitive mega-retail projects. At the same time, Arlandria's businesses have a specialized destination niche and must also compete against specialty retail districts and downtowns nearby and throughout the region.

Local Specialty Districts

The Arlandria commercial district is competitive for specialty retail and convenience trade with several specialty districts in the area, as well as Old Town Alexandria.

Mt. Vernon Avenue / Other Potomac West (Del Ray). Perhaps one of the retail nodes most competitive with Arlandria is the remainder of the Mt. Vernon corridor through Del Ray. The areas of Potomac West further south have gradually evolved to serve a more affluent, "yuppie" market of young professionals that live in the Del Ray neighborhood, Old Town, and other parts of Alexandria. A few businesses have identified themselves with the Del Ray name, such as Del Ray Photographers and Del Ray Dreamery.

Parts of southern Potomac West have evolved into the type of environment that is envisioned by the Task Force for Arlandria – a pedestrian-scale place with diverse, "funky" shops and restaurants. In essence, the Task Force has, to an extent, recommended the extension of "lower" Potomac West's specialty retail mix north through Arlandria, while respecting that neighborhood's cultural diversity.

Del Ray has an estimated 140,000 to 160,000 square feet of occupied retail space, which is almost equal to the amount of occupied retail space in Arlandria (excluding The Birchmere). In addition, there is approximately 50,000 square feet of office space, primarily in small buildings scattered throughout the area. Perhaps 6,000 square feet or 3% of commercial space is currently vacant.

Del Ray has many of the retail amenities envisioned by the Task Force for Upper Potomac West:

1. 15 restaurants (about 25,000+ square feet) including an eclectic mix of Mexican, Chinese, Thai, and small cafes and neighborhood coffee shops with outdoor seating;
2. Ice cream and frozen custard shops;
3. "Funky" clothing and home furnishings stores (like Purple Goose, Tops of the Town, Del Ray Antiques, and Clay Queen Pottery);

4. Interesting specialty stores (like Botanica San Elias, Sukhothai Oriental Market, and Exotic Planetarium Cards & Comics);
5. Several neighborhood hardware stores;
6. Cleaners, spas, salons, barbers, taro card readers;
7. Two automobile dealerships (including the new Hyundai)
8. Etc.

Del Ray lacks a large supermarket or food store, such as that envisioned by the Task Force for Upper Potomac West. The new My Organic Market is likely to attract shoppers from neighborhoods like Del Ray, south of Arlandria. Asking rents in Del Ray generally range from \$21 to \$30 Triple Net per square foot for space currently on the market. These rents are generally consistent with those at new or redeveloped properties in Arlandria.

Old Town. Old Town Alexandria is clearly an important and vital commercial district with a major destination retail orientation. Old Town is a major tourist destination, attracting national and international tourists who are visiting Washington. Historic homes and buildings, museums, antique & specialty stores, waterfront parks, and unique art/retail venues like the Torpedo Factory have attracted visitors for many years. Among the specialty stores in Old Town are bath & beauty suppliers (Bellacara), designer clothiers (American in Paris), home furnishers (Random Harvest), bookstores (Likely Story), jewelers (She's Unique), and others; plus scores of restaurants (American, Middle Eastern, Spanish, Tex/Mex, Irish, Italian, French, Creole, Caribbean, etc). For all intents and purposes, Old Town is Alexandria's specialty retail hub.

Old Town is also the local government, business, and convenience shopping center. The area has pharmacies, barber shops, groceries, and other stores that meet the daily needs of residents living and working in the area. Asking rents in Old Town range from as low as \$15 to as high as \$50, depending on the type and location of space. Most are in the \$25 to \$35 range.

Shirlington. Arlington's Shirlington area has become a popular destination for entertainment, eating & drinking, and specialty retail in part because of its excellent access and visibility from I-395.

Mega Centers & Malls

Northern Virginia has a number of major shopping centers, malls, and retail hubs. Even within a ten-minute drive from Arlandria are at least five major super-regional enclosed malls or mega-centers. These centers will continue to attract and capture most shopper's goods sales, as well as much of the convenience market, from within the Arlandria Trade Area.

Potomac Yards. Potomac Yard Center is the newest and closest major shopping center to Arlandria. The 587,000 square-foot center was developed in

the late 1990s in the former RF&P rail yards between Route 1 (Jefferson Davis Highway) and the George Washington Parkway, just south of National Airport. Potomac Yards is a mega center with primarily large, national or regional, “big box” chain retailers, including:

Shoppers Food Warehouse	Target
Old Navy	Barnes & Noble
Hoyts Cinemas	Staples
Petsmart	Best Buy
T.J. Maxx	Thomasville Furniture
Zany Brainy	Sports Authority
Rack Room Shoes	Don Pablo’s Mexican & IHOP

Shoppers Food Warehouse captures a sizeable share of grocery sales from within the Arlandria neighborhood. This store offers the relative convenience and discounted price range that appeals to many of the same shoppers that currently frequent the Arlandria commercial district. Hoyts Cinemas offer stadium-style seating in a multi-plex cinema environment.

Landmark Shopping Center. Landmark, located at Duke Street and I-395, is Alexandria’s regional shopping mall. The center has 969,500 square feet of retail space, with about 50,000 square feet (5%) vacant. Landmark is an older mall that has excellent visibility from I-395, but has suffered from the more recent development of major competitive centers like Pentagon City and Potomac Yards. The center has been undergoing a renovation and upgrading to appeal to a more upscale market. In addition to old anchors Hecht’s and Sears, the mall has added Lord & Taylor, Ann Taylor Loft, and Old Navy.

Ballston Common. Arlandria’s existing consumers identified this regional mall as an important shopping hub. Ballston Common is an old shopping mall that was upgraded and expanded in the late 1980’s. At the time, the center was an isolated retail hub in a relatively low-density residential area. Since then, Ballston has grown into an extremely high-density Metrorail hub. The mall still offers a relatively inexpensive alternative to some of the newer centers and attracts budget-conscious customers from south Arlington and Arlandria.

Pentagon City / Pentagon Row. Pentagon City has over 2.4 million square feet of office and retail space and has become a major regional retail node, attracting shoppers from throughout northern Virginia and Washington, D.C. Over 1.2 million square feet of retail space was developed at Pentagon City during the 1990s, with major anchors including Macy’s and Nordstrom’s department stores. More recent development includes major residential and retail use at Pentagon Row. This mixed-use project is anchored by Harris Teeter supermarket and includes a number of home furnishings, specialty stores, and restaurants.

Crystal City. Crystal City is a major employment node adjacent to National Airport, with 11,360,400 square feet of office and commercial space occupied largely by government agencies and contractors. With its proximity to National Airport and employers, the area is also home to major convention hotels. Crystal City's hotel business was devastated by the temporary closure of National Airport in the wake of 9/11 and has yet to fully recover.

Crystal City has had an underground/enclosed retail mall, as well as surface retail areas. However, much of that retail was developed in the 1970s, with only 21,500 square feet developed since 1990. Surface retailers include CVS, Legal Seafood, Safeway / Rite Aid, National Diner; and to the south, automobile dealerships and services near the intersection of Route 1 and South Glebe Road.

Other Regional Malls. Springfield Mall, Potomac Mills, Tysons Corner I and II, and other regional shopping centers attract customers from within the trade area for destination shopping and entertainment.

Smaller Neighborhood Centers & Hubs

There are a number of smaller neighborhood centers and retail nodes throughout Alexandria, Arlington, Falls Church, Annandale, Fairfax, and other areas of northern Virginia that also attract consumers from within the trade area. Certain small centers, such as in Clarendon, Annandale, and other areas as far away as Silver Spring and Wheaton, attract destination shoppers looking for ethnic foods, family-run restaurants, or specialty merchandise. Several of the most proximate small retail nodes are discussed below.

South Glebe Road. The closest competition for convenience goods is the Shirley Park Shopping Center on South Glebe Road in Arlington County. This 80,000 square-foot neighborhood convenience center is anchored by Gold's Gym (formerly a bowling alley) and Giant Foods, and also includes a Peruvian restaurant (El Cuscatleco) and several other convenience and restaurant uses.

Avalon @ Arlington Square. This new commercial area was designed as a neo-traditional Main Street incorporated into the Avalon rental housing development off of South Glebe Road near I-395. The commercial component includes about 30,000 square feet of business and live-work space, with only about 30% occupied. Most of the current occupants are business service companies. There is one convenience retail store at the entrance, and the owner indicated much lower-than-expected sales since opening in 2001. The commercial spaces range in size from 2,309 to 3,165 square feet and rents generally start at \$3,000 per month (\$16 per foot).

West Glebe Road. West Glebe Road (in the City of Alexandria) has a small retail node with an estimated 15,000 square feet of space, including Tasos Pizza, China Café, 7-11, Pizza Hut, and a cleaners. This small node is located along the western edge of the Arlandria neighborhood, adjacent to Arlington County.

Washington, D.C. & Maryland

Thanks to direct Beltway access from Alexandria to Prince George's County, suburban Maryland retail centers are competitive with Arlandria for some destination / shopper's goods trade. Even St. Charles Town Center, in Charles County's Waldorf, attracts potential shoppers from within the trade area. Discount shoppers frequent stores at Landover Mall, Prince George's Plaza, and downtown Silver Spring. The Trade Area's higher-income shoppers, however, rarely cross the river into Maryland to go shopping. Georgetown and other parts of Washington, D.C. are especially competitive for restaurants and specialty destination retail markets.

Retail Potentials

Arlandria's potential to capture trade area retail sales was assessed relative to its location and positioning within the competitive framework. In addition, two scenarios were developed to assess Arlandria's destination marketing opportunities for attracting inflow from outside of the trade area. These scenarios result in a range of potential retail demand within the district. A retail business mix is recommended for Arlandria, based in part on the findings from the market scenario analyses.

Capture

A number of factors were considered in determining Arlandria's ability to capture retail expenditures in each sub-area, for each type of retail good, for both 2002 and 2007. The consumer intercept survey and interviews with businesses provided some useful information on the existing situation. For example, the consumer intercept survey found that about \$6,000 per year is spent in Arlandria by the typical consumer. If applied to the market in sub-area A, this would suggest that Arlandria is capturing at least 35% of that area's retail expenditure potential. (A total of 34% of the \$64,500 sub-area household income, or \$17,500 per year, is spent on retail goods). However, in examining the potential for retail sales, additional analysis was required to determine appropriate future capture rates.

Demand Scenarios & In-flow

Two scenarios were developed to account for in-flow sales to Arlandria's businesses from outside of the trade area. A Community Scenario assumes the

normal marketing of individual businesses, but augmented by an enhanced overall marketing initiative that reaches potential new markets within various sub-areas and beyond the overall trade area. Still, it is assumed that at least 80% of sales would be generated from within the trade area, which is already the case.

A second scenario provides for a specialty niche Destination Scenario marketing strategy that focuses on creating a unique product that especially appeals to higher-income households and niche markets both within and outside of the trade area.

Scenario 1: Community Scenario

Appendix Table 4 details the results of the demand analysis by specific retail category, under the Community Scenario. These results are summarized further in Table 5, below.

Table 5. WARRANTED DEMAND BY USE, ARLANDRIA DISTRICT – COMMUNITY SCENARIO, ALEXANDRIA, 2002 & 2007				
Type of Good	Gross Demand (SF)		Existing Uses 1/	Warranted Demand
	2002	2007		
Convenience	65,762	72,650	69,735	2,915
Shoppers Gds	72,031	78,879	47,239	31,640
Eating/Drinking	20,250	22,112	26,528	(4,417)
Entertainment	4,349	4,996	-	4,996
Personal Svces	7,691	8,488	5,650	2,838
TOTAL	170,084	187,125	149,151	37,974
<i>Existing Vacant</i>			53,135	
<i>Excluding Safeway</i>			30,957	
Net New Space				7,017
Note:	1/ Existing Entertainment excludes Birchmere.			
Source:	Randall Gross / Development Economics.			

Gross Demand. There is currently gross demand for 170,000 square feet in the Arlandria retail district, increasing to 187,100 by 2007. About an equal share of demand will be in convenience and shopper's goods (70,000 to 80,000 square feet). There is also demand for about 22,000 square feet of restaurant space, 10,000 square feet of personal services, and 5,000 square feet of entertainment space (excluding demand for destination venues).

Warranted Demand. Since there is an existing inventory of about 150,000 square feet of occupied retail space in the district (excluding The

Birchmere), then there will be *warranted* demand for about 40,000 additional square feet of retail space by 2007.

If it is assumed that existing vacant space would be occupied first, then there will be *net* demand for about 7,000 square feet of additional retail space by 2007. This already excludes the Safeway space, which will presumably be occupied on an interim basis or demolished by 2007. Leases have already been signed for a Chinese Buffet and other interim uses in June of 2002.

There is net demand in particular for apparel & accessory stores, home furnishings stores, hardware/garden supply stores, gas/convenience, miscellaneous shopper's goods stores, and more entertainment uses. At the same time, there is a net over-supply of miscellaneous convenience, footwear, general merchandise, and restaurants in the district, under the Community Scenario.

Scenario 2: Destination Scenario

Appendix Table 5 details demand for Arlandria retail space in 2002 and 2007, under the Destination marketing assumption. These findings are further summarized in Table 6, below.

Table 6. WARRANTED DEMAND BY USE, ARLANDRIA DISTRICT - DESTINATION SCENARIO, ALEXANDRIA, 2002 & 2007				
Type of Good	Gross Demand (SF)		Existing Uses 1/	Warranted Demand
	2002	2007		
Convenience	65,762	81,044	69,735	11,309
Shoppers Gds	72,031	83,346	47,239	36,107
Eating/Drinking	20,250	29,996	26,528	3,468
Entertainment	4,349	7,687	-	7,687
Personal Svces	7,691	8,569	5,650	2,919
TOTAL	170,084	210,642	149,151	61,491
<i>Existing Vacant</i>			53,135	
<i>Excluding Safeway</i>			30,957	
Net New Space				30,534
Note:	1/ Existing Entertainment excludes Birchmere.			
Source:	Randall Gross / Development Economics.			

Gross Demand. In this scenario, there would be gross demand for over 210,000 square feet of retail space by 2007, including 80,000 to 90,000 square feet each for convenience stores and shopper's goods stores. There would also

be demand for about 30,000 square feet of restaurant space, 8,000-10,000 in entertainment and 9,000 in personal services.

Warranted Demand. Again discounting for the existing retail inventory, there would be warranted demand for about 62,000 square feet of *additional* retail space in the district by 2007. Subtracting out the vacant space (again excluding Safeway) results in net new demand for about 30,000 to 35,000 square feet of retail space.

It should be noted that demand for new space is higher if several non-competitive existing retail buildings are excluded, including houses with a total of about 5,000 square feet. Thus, net new demand is closer to 40,000 square feet in this scenario.

There would be significant net new demand for grocery store space and again, for some gas/convenience in this scenario. There is net demand for about 11,000 square feet of *additional* grocery store space in this niche-market, destination-driven scenario. This demand is not enough to attract a major supermarket chain store, such as Safeway, Giant, or Shoppers Food Warehouse that is desired by consumers and included in the Task Force plans.

The competitive environment between these chains requires them to seek prime locations where they can maximize floor plate in the 55,000 square foot and higher range. Safeway had already closed its 22,000 square foot store in Arlandria some time ago and is unlikely to reconsider participation in the redevelopment of the site for a 55,000 square-foot store in the near term. Shopper's Food Warehouse and Giant both have super stores within a five-minute drive from Arlandria. Fresh Fields, a division of Whole Foods Markets, (the specialty organic supermarket chain), is unlikely to consider a site in Arlandria now that My Organic Market (MOM) is opening there.

The Destination Scenario helps increase demand from within, and from beyond the trade area, as compared with the Community Scenario. In the Destination Scenario, there is even more demand for apparel & accessory stores (8-10,000 square feet), home furnishing stores (8-10,000 SF), hardware & garden stores (6,000 SF), and especially, miscellaneous shopper's goods stores (almost 30,000 square feet). Within this last category, there is in particular, demand for sporting & athletic goods, school supplies, books & CDs, gifts, pet stores, fabric, and art supplies. In addition, there is net demand for an additional 10,000 to 15,000 square feet of restaurants and entertainment use.

Recommended Mix

Based on the findings from the market analyses, and on input from consumers, residents, businesses, and the Upper Potomac West Work Group, it is recommended that Arlandria utilize a destination marketing approach as

outlined in Scenario 2 to increase inflow and overall demand for the area's commercial space. In this scenario, Arlandria would be marketed both as a local-serving, community-oriented convenience hub as well as a unique retail destination with broader market appeal.

A niche-marketing concept and program is outlined in Section 4 of this report. This concept and program would be based on the following recommended business mix, relating directly to the market findings.

Table 7. RECOMMENDED ADDITIONS TO INTERIM RETAIL MIX, ARLANDRIA COMMERCIAL DISTRICT		
Type of Store	Square feet	Specialty Niches
Expanded Latin Grocery Store	10,000- 18,000	Latin Foods; Meats
Weekly Flea & Food Market	- -	Discount Mdse
Childrens' Apparel & Toy Store	1,200- 1,500	Children's
Specialty Apparel & Svcs- Bridal	800- 1,200	Latin/Bridal
Specialty Apparel-Sporting Gds	3,500- 7,500	Health & Fitness
Discount Shoes 1/	1,200- 2,500	Discount
Home Furnishings-Specialty	1,500- 3,000	Asian Imports/Intl
Fabric/Sewing-Specialty	1,200- 2,700	Intl Fabrics/Imports
Garden Supply Center/Florist	1,000- 1,500	Intl Varieties
Books, Software & Music-Spanish	2,000- 3,000	Latin/Language/Intl
Family Entertainment Center	7,500- 10,000	Family
Family Restaurant	2,500- 4,000	Family/Children
Total (Net New)	28,581- 49,781	
Note:	1/ Assumes replacement only.	
Source:	Randall Gross / Development Economics.	

The recommended interim retail mix builds on the area's existing strengths, including its strong Latino community, specialty ethnic food markets, and international restaurants, while also enhancing the longer-term opportunities for capturing the broad destination market. Themes such as health & fitness, ethnic culture, and family can bridge the divide between the current low-income, neighborhood-dependent market and the larger, more affluent market (including the more affluent end of the region's Latino market). Several of the potential key, anchor stores are highlighted below.

Latin Grocery. Rather than waiting for the large supermarket chains to return to Arlandria, the area's destination potentials can be strengthened by increasing the size, enhancing the exposure, and broadening the merchandise lines of the area's most popular ethnic groceries, namely La FERIA Latina. This store generates significant sales volumes despite its constrained size and lack of pro-active marketing. The store already attracts customers from throughout this part of northern Virginia, but has potential to attract a larger share of the *affluent*

market for its Latin American and international specialty foods. Thus, the size of the existing store is increased, presumably by relocating the business to another location (see following section) within Arlandria.

Low- and high-income shoppers all share a desire for the personal service and higher quality that often accompany specialty groceries, food stores, and bakeries. While the large chains often carry the same product lines as ethnic groceries (at lower prices), shoppers return to the family-operated stores if they receive more personalized service and can tell the difference in the way food is prepared.

Family Entertainment Venue & Restaurant. Arlandria is already the site of one of the country's premier live music venues. There is a need, as well as some market support, for additional entertainment opportunities in this market. Youth-oriented entertainment activities, such as those offered by a family entertainment center, not only respond to this need but also help strengthen the sense of community and create safe day and nighttime activity for teenagers. Family recreation and entertainment activities have declined in the area, such as with the closure of Shirley Bowl on South Glebe Road.

A family entertainment center (video games, virtual reality, laser/paint ball, recreation activities, etc.), would be combined with restaurant food – a la Chuck e. Cheese's or Shakey's Pizza – to create a destination attraction in Arlandria. Unfortunately, demand may not be strong enough at (10,000 square feet) to attract any of the national or regional family entertainment center chains to this location. However, there may be opportunities to create multi-tenant facilities that serve the same purpose.

Sporting Goods & Equipment Store. There is a destination market for sporting goods, army/navy surplus, athletic equipment, and related apparel stores that could be located in Arlandria. Sporting goods stores often locate in specialty commercial districts or downtowns where they can draw from a broad clientele. While there are competitive stores in the area (such as Sports Authority at Potomac Yards), there are specialty stores and regional suppliers that are not well represented in parts of northern Virginia. A possible example might be a soccer & football supply store than builds on a Latin-American theme but more importantly, caters to the growing regional market for the sport of soccer.

The arrival of health-oriented stores like My Organic Market (MOM), opportunities for increased access to the Four Mile Run park, large average family size, and proximity to affluent and well-educated markets are all indicators of potential success for sports specialty stores. These stores in turn generate substantial pedestrian traffic in support of smaller specialty stores (game and toy stores, hobby shops, vitamin & health stores, etc.)

Spanish & International Books / CD / Software Store. Arlandria's existing Latin identity can be strengthened in support of other businesses that further broaden the market. An important aspect of the "sense of community" in Arlandria is the shared language. Even as Hispanic residents and consumers in Arlandria hail from different parts of Latin America (Honduras, Mexico, Peru, Uruguay, etc.), language is an important part of the cultural glue that binds the community together. A large, accessible, attractive Spanish book & CD store could become an important regional destination attracting a broad range of people from throughout the metropolitan Washington area and beyond. This store would offer a full range of books, CDs, educational materials, and software in Spanish and other languages. It should be noted that trade-area households spend an exceptionally high share of income on music and software, when compared with national averages.

Spanish speakers would be joined by professional interpreters, teachers, and English-speaking students as part of this broad regional market. While Spanish language materials are available in a number of locations in the region, Arlandria also offers Latin restaurants, specialty grocers, and other businesses that support the cultural experience. Potentially, the store could also offer a small indoor/outdoor café that, like cafes in Latin America, energizes Arlandria's streetlife.

There is already a Latino music store in Arlandria that began as a clothing alterations shop (Tienda Sastreria Darlene) and has expanded thanks to music sales. However, this store is poorly merchandised, poorly maintained, and lacks any kind of pro-active marketing. The casual observer on the street would have no idea of the large selection of music available in the store, or even that the store offers music, given the lack of signage and an appropriate window display. Clearly, there is an opportunity to work with this merchant to increase her management and marketing capacity and to relocate the store into a more modern and appropriate space. There is also the alternative of recruiting another merchant that shares a vision for creating this type and scale of business.

Weekly Flea & Food Market. There is also an opportunity for increasing destination traffic and street activity through the use of a large, regular flea market. Arlandria is an ideal area for flea markets because of its relatively central location, with both a captured discount-oriented clientele within walking distance and more affluent neighbors who would "never dream" of shopping in Arlandria except at a garage sale or flea market. In essence, flea markets can help Arlandria meet capture existing demand for discount goods while providing an opportunity to increase exposure to more affluent markets. Flea markets (as well as vintage clothing and furniture stores) provide a good interim strategy for building a market among middle and upper-income shoppers in an area they would previously not have visited. Weekly markets also help to promote and showcase unique local merchants that would not have otherwise received such exposure.

Other. There are opportunities to strengthen the destination identity for Arlandria by encouraging several existing specialty stores to expand relocate to the area. For example, religious, home furnishing, hobby, or specialty gift shops like Botanica San Elias (currently located on Mt. Vernon Avenue in Del Ray) that are focusing on international or especially unique Latin American goods, might be enticed to relocate to Arlandria as part of a comprehensive recruitment strategy. There is also market support for specialty apparel, such as wedding dresses and tuxedo rentals, some of which is already offered in the area but only as a small line at general merchandise stores.